

Connecticut Association of Assessing Officers, Inc.

John Chaponis, CCMA II
Chairman, Legislative Committee
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Re: HB 5035

Members of the Planning and Development Committee:

I speak to you today representing the CAAO in regards to HB 5035. The CAAO recommends the passage of HB 5035 in regards to Sec. 1, addressing the FOIC non-disclosure of residential address issue and Sec. 2, addressing the assessment of property under construction.

CAAO hopes that Sec. 1 will be further amended to remove the Town Clerk, Collector, and Assessor. Since this country was founded, it was based on a stern principal of taxation open for inspection but moreover, our offices do not track a residential address in our files but carry a property location and mailing address.

In regards to Sec. 2, CAAO requests an effective date beginning with the October 1, 2011 Grand List in order to ensure that it covers the upcoming July 1, 2012 tax bills. Currently it is slated to be "effective from passage" however, July 1, 2012 tax bills are based on the assessment date of October 1, 2011 leaving room for argument that the July 1, 2012 bill would not be included when 99% of Connecticut municipalities are anticipating that revenue in July 2012 estimated to be approximately 35 million dollars.

The biggest misconception with this proposed legislation is that some believed this was a new tax. That is incorrect. For as far back as we have been able to research, CT has always assessed property based on its market value. Furthermore, I would point to four Connecticut Statutes compelling assessors to do exactly that.

1. The most important statute in all of municipal tax assessment is CGS 12-63 "Rule of Valuation" where assessors are required to value all property (other than farm, forest & open space) at its "fair market value". Certainly a property that is 90% completed has more value than a vacant lot and FMV is the backbone of the local property tax in CT (as well as many other states).
2. CGS 12-64 (Real Estate Liable for Taxation) requires assessing property which is under construction whereas it states: "all other buildings and structures, house lots, all other building lots and improvements thereon and thereto" are liable for taxation. The key word here is "improvements" which is a real estate appraisal term for anything added to the land and is defined in the dictionary of real estate appraisal as "buildings or any other relatively permanent structures or developments located on the land".
3. C.G.S. 12-53a (Assessment and Taxation of New Real Estate Construction) states in the first sentence that "completed new construction completed after" October 1st is liable for taxation. Key terminology here is "completed after" the assessment date which indicates that you may only add on the portion

completed after October 1st. Why? Because the portion completed prior to October has already been assessed pursuant to CGS 12-63 & CGS 12-64.

4. C.G.S. 12-53a subsection (c) states: the assessor shall determine the increment by which assessment for completed construction exceeds the assessment on the taxable grand list for the immediately preceding assessment date and prorate that increment. If property partially completed or under construction on October 1st were not intended to be assessed, there would be no need to "determine the increment" and the assessor would merely take the "assessment for the completed construction and prorate it". This language further supports that the incomplete portion constructed prior to October 1st has been assessed.
5. C.G.S. 12-88 (When Property Otherwise Taxable May be Completely or Partially Exempted) provides an exemption for a church or non-profit who is not in "exempt use".... "if the construction of such buildings or improvements is in progress". There would be no need for an exemption for property under construction if it were not taxable in the first place.

Recently a superior court judge interpreted that CGS 12-53a prohibited the taxation of improvement which were not 100% complete on October 1st and provided the exemption stated in CGS 12-88 to every property. However, a review of the legislative history from the Finance Committee in regards to the creation of 12-53a (passed in 1971) proves otherwise. This history (copy attached) proves that assessors were taxing property that was under construction and also refers to the need for CGS 12-53a as a "supplemental list" for what was being omitted after October 1st.

Rep. Thorton asked "rather than creating CGS 12-53a, should we just change the assessment date to January 1st?"

Sen. Petroni replied "the date that the assessment is established is the date that we take what is on the land on a certain date. Whether the date is October 1st or January 1st, I think you have the same problem. Unless someone takes the time to make a supplemental list of new construction".

Connecticut has a supplemental list for Motor Vehicles in CGS 12-71b (taxation of motor vehicles not registered on the assessment date). The supplemental motor vehicle list was created to close the loophole on vehicles purchased after October 1st not being taxed for an entire year. CGS 12-53a closed the exact same loophole on real estate constructed after October 1st not being taxed for the remainder of the year.

If CGS 12-64 is not amended as stated in HB 5035 Connecticut municipalities stand to lose 35 million dollars annually, but more importantly, there will be a protected class in which will not be taxed based on its fair market value and two homes sitting side by side will have drastically different tax liabilities.

Please support HB 5035 to ensure a fair distribution of the local property tax with an effective date beginning with the October 1, 2011 Grand List..

Respectfully,

John Chaponis, CCMA II

that a certificate of occupancy has been issued, or that the dwelling has been completed. The protection for the appeal periods are set for under E of the bill, D and E, and I think the safeguards are there from excessive assessment, but the, important part of this bill is that the tax collector can bill the owner upon the certificate or the house being used for the purpose intended. I understand in the last session, it didn't get by the Senate, because they felt there were certain administrative problems to the bill. The Deputy Tax Commissioner Jack Tarrant, has discussed this with different members of the Legislature, including Rep. Camp, and myself who does feel that it can be administratively feasible, and certainly, this bill deserves serious consideration.

Rep. Spain: Could you tell us again the Number of that?

Sen. Petroni: The number is 7475. AN ACT CONCERNING THE ASSESSMENT OF TAXATION OF NEW REAL ESTATE CONSTRUCTION.

Rep. Thornton: Have you considered changing your assessment dates from October to a more realistic date say, January 1st, for instance which makes it closer to your date of financial bills etc.

Sen. Petroni: The problem is I think, always the same, the statutes require a certain period for appeal from the assessment and then you have the weeks and months that will go by before a tax.... there is the mill rate to be established, by the Legislative body then there is the ...there are certain dates in the Statute that I don't think really will bring in the revenue. They are safeguards that I don't think will change that much, unless you use the certificate of occupancy or the use date at the criteria for delivering a tax held for the full assessment. Under this bill within 10 days after the certificate of occupancy is issued, or property is being used for the intended purpose the owner gets a tax bill. I don't think that if you analyze the dates that are in the statutes now, the List has to be completed by January 30th then the Board of Tax Review meets in the month of February, then there can be appeals from that, then most towns that I am familiar with have a meeting to establish the tax rate in, say May then by some stretch of the imagination, the date that the assessment is established is the date that we take, not the date but what is assessed is what is on the land on the certain date. Whether the date is October 1st or January 1st, I think you have the same problem. Unless, somebody takes the time to make a supplemental list of new construction and hand the bill to the new owner.

Rep. Bigos: Senator, that sounds like a beautiful bill but, I wonder if it is not easy to circumvent the provisions of it. The property becomes taxable when there is a certificate of occupancy but, supposing they left out a toilet or something else, then the certificate of occupancy wouldn't be used, then later on when they want to sell it they just spend a little money for the lavatory or something else, and still not pay the tax that you are

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